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Transliterated Cablegram dated
23 Dec 52 and Received 26 Dec 52 25X1A6a
52 [REDACTED] 25X1A6a

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1. "More damage is being done to the reputation of the US oil companies in the Middle East by the current US government anti-trust suit against the seven major firms than has been accomplished by Communist propaganda and Iranian debacle combined.
2. "This is the conviction of a number of prominent Lebanese close to the Lebanese government who claim that the Arabs generally interpret the US action as 'reputation' of US oil firms by their government because of apparent 'crimes' uncovered by the [US] Justice Department.
3. "It is apparent to the Arabs that Communist propaganda and Iranian action against the AIOC is obviously biased, these leaders say, but that most Arabs cannot conceive of a government's attacking its own firms unless there is clear evidence of 'crimes' which are known to the public at large.
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4. "Thus, the anti-trust suit is believed [REDACTED] to be lending explosive note to the scene where restless Arab nationalists are only too ready to believe that foreign oil firms are working against the interests of their national sovereignty.
5. "It is believed, for example, that the anti-trust suit is perhaps a principal factor leading the Lebanese government to attack the recently-signed royalty agreements with Tapline and IPC as unfair to the Lebanese economy.
6. "It is interesting to note that the Finnish Minister, George Hakin, is leading the government's fight against American Tapline, and British IPC insists that Hakin is no more unfriendly towards Tapline than his company's own government.
7. "Tapline's parent firm is among those charged by the US Government with international price fixing and the overcharging of West European customers through the Marshall Plan to the tune of US\$67,000,000.

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8. "It is highly doubted [REDACTED] whether US government officials are fully aware of the damage being done to US business interests in the Middle East among the Arabs who neither understand large corporate enterprise nor their relations to the government.
9. "The Lebanese government, meanwhile, appears to be backing itself into a corner by exploiting the royalty issue, which appears likely to inflame public opinion and over which neither Tapline nor IPC shows any signs of yielding.
10. "The substance of the Lebanese government's charge is that the IPC agreement was never ratified by Parliament and the Tapline agreement was merely an exchange of letters between former Premier Eami Solh and the company and that both agreements are suspect because they were negotiated with deposed regime President Khoury.
11. "The Lebanese government further argues that the agreements do not accord Lebanon a proper share in the savings accruing Tapline and IPC through oil pipelines terminating on Lebanese soil and the companies contend that the agreements, both of which substantially raised royalty and fringe benefits paid to the Lebanese Government, are legally binding contracts signed with sovereign governments which a new government has no right unilaterally to abrogate only eight months after their signing.
12. "The fact is that both Tapline and IPC appear ready to shut down the pipelines rather than to retreat from what they regard as a secure legal position on an issue which they believe is being partially engineered by political elements desirous of causing trouble for the new Lebanese government.
13. "The Tapline officials point out that world crude oil production is now so high that ARAMCO, whose oil Tapline carries, is currently cutting down the flow from a daily peak of 900,000 barrels to less than 800,000 barrels daily.
14. "Easing the world political situation, according to Tapline officials, could reduce the demand to a point where ARAMCO would produce only 600,000 barrels daily, an amount which ARAMCO produced when AIOC was operating full swing in Iran.
15. "This reduction would be almost an exact equivalent of 300,000 barrels daily now flowing through Tapline, which would mean, according to company officials, that the pipelines could be shut down and 600,000 barrels carried by tankers through the Suez Canal at a maximum extra cost of 24 cents per barrel.

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16. "Even if the world demand should keep crude production at its present levels, Tapline appears willing to consider the closing of the pipelines rather than to submit to what it considers a unilateral breach of contract entered into in good faith.
17. "Already at least one Beirut newspaper has asked the Lebanese government how it expects to absorb Tapline and IPC workers into the economy should the pipelines be closed, when 60,000 Lebanese are already unemployed.
18. "The officials of Caltex, now building a refinery at Lebanese Port Saida, are seriously considering the halting of operations should the present attitude of the Lebanese government prevail.
19. "Hakin is believed to be seriously convinced that the anti-trust suit action of the US government makes the oil companies fear game for similar action by the Middle Eastern governments in whose lands they work on the ground that the companies are allegedly 'short-changing' these Arab lands.
20. "Initiative in this issue, however, many observers believe, is gradually being wrested from Hakin by the Lebanese political group desirous of causing so much confusion in the Lebanese economy so that political and economic union with Syria will be brought one step closer."

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